

**Council on Postsecondary Education
Executive Committee Meeting
November 27, 2006**

Tuition and Fee Policies and Parameters for 2007-08

The Council approved a tuition policy in January 2006 and tuition and fees were established accordingly for 2006-07. This agenda item establishes parameters and policies related to tuition and fees for 2007-08.

ACTION: The staff recommends that the Council's Executive Committee approve a revised tuition policy and establish maximum parameters related to undergraduate resident and nonresident tuition and mandatory fees for 2007-08.

Background:

In January 2006, the Council approved a tuition policy to balance the need for additional revenue for the institutions with the desire to maintain affordability for current and potential students. The Budget and Finance Policy Group has considered several policy changes related to nonresident students and reciprocity agreements. In addition, maximum parameters must be established prior to institutional tuition presentations planned in January and March for 2007-08 tuition and mandatory fees.

Summary of Recommended Actions:

- A. Revise the tuition policy to add a policy statement and objectives for nonresident students (Attachment A).
- B. Revise the tuition policy to add a policy statement and objectives for reciprocity agreements, discontinue strike price and balance provisions in future reciprocity agreements, and extend future agreements to six years (Attachment A).
- C. Establish 2007-08 maximum parameters for undergraduate tuition and mandatory fees and extend Council approved 2006-07 exceptions regarding nonresident tuition for targeted groups of students to 2007-08 (Attachment B).

(A) Policy for Nonresident Students

In fall 2005, total enrollment was just over 202,000 with about 27,000, or 13 percent nonresident students enrolled at Kentucky's public institutions. Of the 27,000 nonresident students, approximately 78 percent were undergraduate students. Based on the 2020 projections, Kentucky will need to double the number of people in the state with at least a bachelor's degree. The data suggest that in order for Kentucky to be successful in reaching the educational attainment goals set forth in House Bill 1, it will be necessary for the Commonwealth to import some of the intellectual capital from outside the state.

Nonresident Student Policy Statement: *Recruiting and retaining nonresident students increases the intellectual capital of the Commonwealth and its educational and social diversity. Council policy requires that nonresident students pay a greater share of their educational costs than resident students. Nonresident students are an important component of Council and institutional efforts to achieve House Bill 1 goals and are important to the economic development of the Commonwealth.*

(B) Reciprocity Agreements

Current reciprocity agreements include Illinois, Indiana, Ohio, Tennessee, and West Virginia. The policy objective behind the agreements is to provide low-cost access for Kentucky students near the borders to institutions in participating states by providing the same arrangement to students in participating states. Generally, Kentucky agrees to charge its students in-state rates in return for them charging Kentucky students in-state rates. If the agreements were not in place, both sets of students on the borders would be required to pay the respective nonresident rates, which can be as high as three times the resident rate. In 2004, there were approximately 4,000 full-time equivalent students from participating agreement states who attended Kentucky institutions, or about 2.7 percent of total FTE in the system. Approximately 3,000 Kentucky students attended institutions in participating states.

Tuition Reciprocity Policy Statement: *The Council on Postsecondary Education affirms its commitment to providing low-cost access to Kentucky students on the borders by negotiating reciprocity agreements with bordering states.*

The policy objectives of reciprocity agreements are as follows:

- **Low-Cost Access:** Increase low-cost access to students who live near bordering states by avoiding the requirement that they pay nonresident rates, which can significantly exceed resident tuition charges.
- **Statewide Benefit:** Maintain agreements such that statewide benefit to Kentucky students is maximized.
- **Stability:** Extend agreements a sufficient length of time to provide certainty and stability to students in Kentucky who benefit from the agreements.

Discontinue the following provisions that were added to the reciprocity agreements in 2004.

- *Balance Provision:* This provision requires an automatic moratorium on new students if a statewide agreement lacks a balance of the number of students participating or financial benefit.
- *Strike Price:* This provision requires that students pay Kentucky's resident rate or the participating institutions' resident rate, whichever is higher.

Rationale: These two provisions were added for the first time two years ago but, after reviewing the effectiveness and necessity of each provision, it is recommended that both be discontinued in future agreements. The determination of whether an agreement is continued is best made on a case-by-case basis and should consider many factors, balance being only

one of them. Institutional representatives expressed concern about the disruption caused by an automatic moratorium and the fact that factors other than balance should be considered, such as statewide benefit and nonresident recruitment efforts related to the Public Agenda. Similarly, the “strike price” provision was added so that students in participating states with much higher tuition charges would not get a much lower price than they would receive in their own state. Institutional representatives expressed concern that the provision was confusing and difficult to implement. Analysis also suggests that tuition charges among the states are beginning to become more similar, rendering the provision unnecessary.

Extend the length of the agreements from four years to six years.

Rationale: The agreements have historically been four years in length except for the most current ones, which were only extended for two years due to the need to conduct additional analyses related to policy concerns. One of the policy objectives for the agreements is stability. The staff recommends six years rather than four years to ensure the certainty of the agreements during the length of time commonly used in national standards for measuring graduation performance in recognition that most students need more than four years to complete their degree.

(C) Tuition and Mandatory Fees 2007-08

Consistent with the revised tuition policy in Attachment A, the Council staff recommends that 2007-08 tuition and mandatory fees not exceed the amounts established in Attachment B for undergraduate resident students.

In addition, staff recommends that the Council continue the current 2006-07 policy of requiring nonresident students to pay 1.75 times the tuition and fee charges of resident students and extend the Council approved 2006-07 exceptions into 2007-08. This policy does not affect current institutional flexibility to offer scholarships and discounts.

The institutions will be required, as last year, to submit a detailed proposal for tuition and fees during tuition hearings in January. The Council is expected to take final action on 2007-08 tuition and required fees in January or March. In addition, the institutions will be requested to provide detailed information regarding institutional financial aid programs, especially financial aid designated for independent adult students and low-income students.

Staff preparation by Sandra Woodley

Council on Postsecondary Education
Tuition Policy
2006-08

Policy Objective:

To maintain a systematic approach for establishing parameters regarding tuition and mandatory fees for postsecondary education in order to balance the need to ensure that higher education remains affordable for Kentucky's citizens with the need to provide sufficient revenue for the goal attainment of the Public Agenda.

Policy Principles:

- **(Access)** – College education in Kentucky should be accessible and affordable for all qualified Kentuckians.
- **(Adequacy)** – Tuition policy decisions should provide adequate total public funding levels necessary for institutions to meet the objectives of the Public Agenda.
- **(Aid)** – Tuition and student financial aid policies should be coordinated effectively to ensure sufficient financial aid for students with financial need.
- **(Alignment)** – The following three policies should be aligned with each other and the Public Agenda: (1) General Fund appropriations, (2) financial aid, and (3) the establishment of tuition and required fees at the institutions.

Tuition and Mandatory Fees

The institutions' tuition shall be established in such a manner that the combination of mandatory fees (established by the institutions) and tuition charges do not exceed the maximum parameters unless expressly granted an exception by the Council.

- **Undergraduate Resident Tuition and Mandatory Fees** will be determined based on the following factors:
 - Ability of students to pay
 - Enrolled students' income levels (JBL affordability study data)
 - Enrolled students' financial aid from all sources (JBL affordability study data)
 - Population income levels – including potential students not currently enrolled (Median Family Income of the Commonwealth)
 - Minimum amount of student loans (*Measuring Up* best practices for best performing states in the affordability measure)

- Market factors
 - Tuition and fee rates compared to benchmarks
 - Tuition and fee revenue levels relative to total funds compared to benchmarks
- **Maximum Parameters for 2006-08**
 - The Council staff completed several detailed analyses in order to establish the parameters. Some of the major policy issues related to the analysis that were used in the parameters are as follows:
 - **Affordability study** - The national research firm that completed the affordability study found that for most enrolled students, Kentucky remains affordable. The affordability data was used to develop an affordability measure that will be used to monitor affordability over time. This affordability measure will be used to determine modifications in the general parameters in the future.
 - **Median Family Income** - Median Family Income is used as an anchor for the maximum parameters. Median Family Income was chosen because it is the standard measure used by most national studies on affordability including *Measuring Up*. The establishment of the parameters relative to Median Family Income was based on an analysis of total cost, all forms of financial aid, and net price. In this way the Council is able to balance affordability for Kentuckians as well as factoring in more detailed analyses of net price.
 - **Market factors and the benchmarks** - The Council staff has analyzed revenue levels relative to total funds and tuition and fee levels of the benchmarks in comparison to the Kentucky institutions. These data were used in the development of the maximum parameters. The economics of the market is an important factor in tuition policy development. The policy seeks to balance the need for affordable prices for Kentuckians and the need to provide sufficient revenue to reach the goals of the Public Agenda.

The basic structure for establishing tuition and fee rates for resident undergraduate students is: (a) the establishment of maximum rates for each institution and (b) the establishment of a process for requesting exceptions to the maximum parameters on the basis of special circumstances.

- **Nonresident Undergraduate Tuition and Fees**

Undergraduate nonresident students must be charged tuition and fees that are at least 1.75 times higher than resident tuition and fees for undergraduate resident students. This policy does not affect current institutional flexibility to offer scholarships and discounts.

Nonresident Student Policy Statement: *Recruiting and retaining nonresident students increases the intellectual capital of the Commonwealth and its educational and social diversity. Council policy requires that nonresident students pay a greater share of their educational costs than resident students. Nonresident students are an important component of Council and institutional efforts to achieve House Bill 1 goals and are important to the economic development of the Commonwealth.*

- **Graduate and Professional Tuition and Fees** -The institutions will submit a proposal detailing tuition and fee rates for graduate and professional programs. The proposed tuition and fee rates will consider students' ability to pay as well as market factors.
- **Reciprocity Agreements**

Tuition Reciprocity Policy Statement: *The Council on Postsecondary Education affirms its commitment to providing low-cost access to Kentucky students on the borders by negotiating reciprocity agreements with bordering states.*

The policy objectives of reciprocity agreements are as follows:

- **Low-Cost Access:** Increase low-cost access to students who live near bordering states by avoiding the requirement that they pay nonresident rates, which can significantly exceed resident tuition charges.
- **Statewide Benefit:** Maintain agreements such that statewide benefit to Kentucky students is maximized.
- **Stability:** Extend agreements a sufficient length of time to provide certainty and stability to students in Kentucky who benefit from the agreements.

Special Circumstances -The Council will consider special circumstances on a case-by-case basis at the tuition hearings to be held prior to final action by the Council. Examples of special circumstances include special program fees, higher tuitions related to high demand programs, or unique market factors related to specific programs.

2007-08 Maximum Tuition and Mandatory Fee Parameters

Institution	Tuition & Fees 2007	Tuition and Fees as % of State Median Family Income \$48,168	2007-08 Maximum Parameters			
			Maximum Nominal Tuition & Mand. Fees	Max Tuition and Fees as % of MFI 2008 \$49,420	% Change at Max	\$ Change at Max
Research Institutions						
UK (Average Lower and Upper)	\$6,604	13.7%	\$7,198	14.6%	9.0%	\$594
UofL	6,252	13.0%	7,002	14.2%	12.0%	750
SECTOR AVERAGE	6,428	13.3%	7,100	14.4%	10.5%	672
Comprehensive Institutions						
EKU	5,192	10.8%	5,685	11.5%	9.5%	493
KSU	4,950	10.0%	5,420	11.0%	9.5%	470
MoSU	4,870	10.1%	5,333	10.8%	9.5%	463
MuSU	4,998	10.4%	5,473	11.1%	9.5%	475
NKU	5,448	11.3%	5,966	12.1%	9.5%	518
WKU	5,860	12.2%	6,417	13.0%	9.5%	557
SECTOR AVERAGE	5,220	10.8%	5,716	11.6%	9.5%	496
Two-Year Institutions						
KCTCS	3,270	6.8%	3,570	7.2%	9.2%	300
KCTCS (Per Credit Hour)	109		119			10